

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re: \_\_\_\_\_

Chapter 11 Case No.

**Lehman Brothers Holdings Inc., et al.,**

08-13555

\_\_\_\_\_  
Debtors.

**JANUARY 2016 POST-EFFECTIVE OPERATING REPORT**

JANUARY 1, 2016 – JANUARY 31, 2016

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS

DEBTORS' ADDRESS: LEHMAN BROTHERS HOLDINGS INC.  
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EXECUTIVE VICE PRESIDENT - FINANCE  
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REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., AS PLAN ADMINISTRATOR

Date: February 26, 2016

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**SCHEDULE OF DEBTORS**

The twenty three entities listed below (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on the dates indicated below. On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. As of the date hereof, the following Debtors’ chapter 11 cases remain open:

	<u>Case No.</u>	<u>Date Filed</u>
Lehman Brothers Holdings Inc. (“LBHI”) .....	08-13555	9/15/2008
Lehman Brothers Commodity Services Inc. (“LBCS”) .....	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. (“LBSF”) .....	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. (“LOT”).....	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. (“LBDP”) .....	08-13899	10/5/2008
Lehman Commercial Paper Inc. (“LCPI”).....	08-13900	10/5/2008
Lehman Brothers Commercial Corporation (“LBCC”) .....	08-13901	10/5/2008
Lehman Brothers Financial Products Inc.(“LBFP”) .....	08-13902	10/5/2008
Lehman Scottish Finance L.P. ....	08-13904	10/5/2008
East Dover Limited.....	08-13908	10/5/2008
Luxembourg Residential Properties Loan Finance S.a.r.l.....	09-10108	1/7/2009
BNC Mortgage LLC .....	09-10137	1/9/2009
LB Rose Ranch LLC .....	09-10560	2/9/2009
Structured Asset Securities Corporation.....	09-10558	2/9/2009
Merit LLC .....	09-17331	12/14/2009

The following Debtors’ chapter 11 cases were closed on January 28, 2016, pursuant to a final decree entered by the Bankruptcy Court (Docket No. 51920):

	<u>Case No.</u>	<u>Date Filed</u>	<u>Date Closed</u>
LB 745 LLC.....	08-13600	9/16/2008	1/28/2016
PAMI Statler Arms LLC.....	08-13664	9/23/2008	1/28/2016
CES Aviation LLC .....	08-13905	10/5/2008	1/28/2016
CES Aviation V LLC.....	08-13906	10/5/2008	1/28/2016
CES Aviation IX LLC .....	08-13907	10/5/2008	1/28/2016
LB 2080 Kalakaua Owners LLC .....	09-12516	4/23/2009	1/28/2016
LB Somerset LLC .....	09-17503	12/22/2009	1/28/2016
LB Preferred Somerset LLC .....	09-17505	12/22/2009	1/28/2016

Information regarding these Debtors is included in this report in the category “Other” Debtors.

The Company has established an email address to receive questions from readers regarding its financial disclosures. The Company plans to review questions received, and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome relative to the value of information requested, the Company shall endeavor to post a response (maintaining the anonymity of the originators of the questions). The Company assumes no obligation to respond to email inquiries.

**Please email questions, with document references as relevant, to:**

**[QUESTIONS@lehmanholdings.com](mailto:QUESTIONS@lehmanholdings.com)**

**The Company’s previously posted responses can be found on the Epiq website maintained for the Company:**

**[www.lehman-docket.com](http://www.lehman-docket.com) under Key Documents**

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED  
ENTITIES**

**BASIS OF PRESENTATION  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
JANUARY 1, 2016 – JANUARY 31, 2016**

The information and data included in this January 2016 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator, and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, which includes certain information as required by the Office of the US Trustee, based on the information available to LBHI at this time, but notes that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

**Other items:**

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future. Cash balances and activity denominated in foreign currencies have been converted to US Dollars.
2. Beginning and ending balances include demand deposits, interest-bearing deposits with banks, U.S. and foreign money-market funds, U.S. government obligations, U.S. government guaranteed securities, investment grade corporate bonds and commercial paper, and AAA-rated asset-backed securities secured by auto loans and credit card receivables.
3. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
4. Beginning and ending cash and investment balances exclude the following:
  - Cash posted as collateral for hedging activity; and
  - Cash held at real estate owned properties or at third party real estate managers.

5. Restricted cash balances are based on preliminary estimates and are comprised of the following items as of January 31, 2016:

(\$ in millions)	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total		
Reserves for Claims:							
Disputed unsecured claims <sup>(1)</sup>	\$ 1,167	\$ 1,006	\$ 16	\$ 291	\$ 2,480	\$ -	\$ 2,480
Tax claims <sup>(2)</sup>	0	25	-	4	29	-	29
Distributions on Allowed Claims (not remitted) <sup>(3)</sup>	90	0	0	0	91	-	91
Secured, Admin, Priority Claims and Other	58	12	8	12	91	-	91
Subtotal, Claims Reserves	1,315	1,044	25	307	2,691	-	2,691
Cash pledged to JPMorgan (CDA) <sup>(4)</sup>	76	-	-	-	76	-	76
Citigroup and HSBC <sup>(5)</sup>	2,034	-	-	-	2,034	-	2,034
Other <sup>(6)</sup>	186	1	0	25	212	51	263
<b>Total</b>	<b>\$ 3,612</b>	<b>\$ 1,044</b>	<b>\$ 25</b>	<b>\$ 332</b>	<b>\$ 5,013</b>	<b>\$ 51</b>	<b>\$ 5,064</b>

Totals may not foot due to rounding.

- (1) Represents the cash reserve for the principal amount of the disputed unsecured claims subsequent to the eighth Plan distribution on October 1, 2015.
- (2) The \$29 million at LBSF and LBCC represents the cash reserve for non-income tax issues.
- (3) Includes (i) \$73 million related to claimants subject to Office of Foreign Asset Control (“OFAC”), and (ii) \$18 million related to other open items.
- (4) Represents \$76 million of cash deposited into accounts by LBHI and pledged to JPMorgan (and its affiliates, “JPM”) pursuant to paragraph 6(b) of the Collateral Disposition Agreement (“CDA”) with JPM effective March 31, 2010; related to, but not limited to, clearance exposures and derivative exposures pending resolution of these items.
- (5) Represents cash deposited on or prior to September 15, 2008 by the Company in connection with certain requests and/or documents executed by the Company and Citibank N.A. of approximately \$2 billion and HSBC Bank PLC of \$26 million, including interest earned thereon. The Company is in discussion with HSBC Bank and commenced litigation against Citigroup regarding these deposits, among other things.
- (6) Other includes (i) various pre-petition balances on administrative hold by certain financial institutions of \$89 million; (ii) asserted misdirected wires and other cash received by LBHI for the benefit of third parties and Non-Controlled Affiliates of approximately \$55 million; and (iii) other miscellaneous items of \$119 million.

Restricted cash balances herein do not include other cash reserves required for operating expenses, asset preservation and other commitments (e.g. anticipated investments).

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities  
Schedule of Cash Receipts and Disbursements  
January 1, 2016 - January 31, 2016

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

		Debtors				Debtor- Controlled Entities Total	Total Debtors and Debtor- Controlled Entities
		LBHI	LBSF	LCPI	Other	Total	
<b>Beginning Free Cash and Investments (01/01/16)</b>		\$ 86	\$ 57	\$ 32	\$ 337	\$ 512	\$ 443
Restricted Cash		3,604	1,044	25	332	5,005	75
<b>Beginning Total Cash and Investments</b>		<b>3,690</b>	<b>1,101</b>	<b>57</b>	<b>669</b>	<b>5,517</b>	<b>518</b>
<b>Sources of Cash</b>							
Commercial Real Estate	(a)	2	-	0	-	2	74
Loans (Corporate and Residential)		17	-	0	-	17	0
Private Equity / Principal Investing		2	-	-	-	2	3
Derivatives		-	(5)	-	0	(5)	-
Receipts from Affiliates		15	-	-	-	15	-
Other	(b)	57	0	(0)	0	57	0
<b>Total Sources of Cash</b>		<b>93</b>	<b>(4)</b>	<b>(0)</b>	<b>0</b>	<b>89</b>	<b>78</b>
<b>Uses of Cash</b>							
<b>Non-Operating</b>							
Commercial Real Estate		(1)	-	(0)	-	(1)	(1)
Loans (Corporate and Residential)		(7)	-	-	-	(7)	-
Private Equity / Principal Investing		-	-	-	-	-	(0)
Other		(0)	-	-	-	(0)	(0)
<b>Operating Expenses</b>							
Compensation and Benefits	(d)	(47)	-	-	-	(47)	(2)
Professional Fees		(9)	-	-	-	(9)	(0)
Other	(e)	(3)	(0)	(0)	(0)	(3)	(1)
<b>Total Uses of Cash</b>		<b>(67)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(67)</b>	<b>(3)</b>
<b>Net Cash Flow</b>		<b>26</b>	<b>(4)</b>	<b>(0)</b>	<b>0</b>	<b>21</b>	<b>74</b>
<b>Inter-Company Transfers Receipts</b>							
Pre-Petition Inter-Company Receipts	(f)	7	-	-	-	7	5
Post-Petition Inter-Company Receipts		8	8	-	2	18	14
<b>Inter-Company Transfers Disbursements</b>							
Pre-Petition Inter-Company Disbursements	(f)	-	-	-	-	-	(12)
Post-Petition Inter-Company Disbursements		(15)	(10)	-	(0)	(25)	(7)
<b>Payments to Creditors</b>							
Payments to Creditors - Non Controlled Affiliates	(g)	-	-	-	-	-	(23)
Payments to Creditors - Non-Affiliates		(2)	(4)	-	-	(7)	-
Other		(1)	(0)	(0)	(0)	(1)	(0)
<b>Ending Total Cash and Investments</b>	(h)	<b>3,713</b>	<b>1,090</b>	<b>57</b>	<b>671</b>	<b>5,531</b>	<b>568</b>
Restricted Cash		(3,612)	(1,044)	(25)	(332)	(5,013)	(51)
<b>Ending Free Cash and Investments (01/31/16)</b>		<b>\$ 101</b>	<b>\$ 46</b>	<b>\$ 32</b>	<b>\$ 340</b>	<b>\$ 519</b>	<b>\$ 517</b>
							<b>\$ 1,036</b>

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".  
Totals may not foot due to rounding.

**LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities**  
**Schedule of Cash Receipts and Disbursements**  
**January 1, 2016 - January 31, 2016**

Unaudited (\$)

**Notes:**

- (a) Cash collections at Debtor-Controlled Entities primarily include proceeds at Property Asset Management Inc. from the sale of a hospitality property.
- (b) Other includes net variation margin of \$56 million received on the Company's foreign currency hedging program related to movements in the Euro, British Pound and Swiss Franc versus the US Dollar.
- (c) A portion of the Operating Expenses paid by LBHI is subject to allocations to, and reimbursement from, various Debtors and Debtor-Controlled Entities.
- (d) Compensation and Benefits includes the Company's employee expenses as well as fees paid to Alvarez & Marsal (A&M). Compensation and Benefits paid in January 2016 includes contractual payments of approximately \$40 million to Lehman employees for services performed in 2015.
- (e) Operating Expenses - Other includes payments related to outsourced services, IT, occupancy, taxes, insurance and other general administrative items.
- (f) Inter-Company Receipts and Disbursements primarily include partial repayments on intercompany balances and other administrative activities.
- (g) Payments to Creditors - Non-Controlled Affiliates includes (i) a payment of \$11 million to settle claims against Debtor-Controlled Entities by various Asian Non-Controlled Affiliates, and (ii) interim distributions of \$12 million to Lehman Brothers Asia Holdings Ltd.
- (h) Ending Total Cash and Investments for Debtor-Controlled Entities - Other includes \$43 million of cash balances at Debtor-Controlled Entities in Asia.

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES**

**BASIS OF PRESENTATION  
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS  
JANUARY 1, 2016 – JANUARY 31, 2016**

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1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future.
2. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Company has incurred additional professional fee expenses during the reporting period that will be reflected in future Operating Reports as cash payments are made to providers.
3. The professional fee disbursements presented in this report have primarily been paid by LBHI; a portion of these fees have been and will be allocated to Debtors and certain Controlled Entities based on the dedicated costs associated with each entity and an allocation methodology.



LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities  
Schedule of Professional Fee and Expense Disbursements  
January 2016 (a)

Unaudited (\$ in thousands)

		Jan-16	Year-to-date
Alvarez & Marsal LLC	Interim Management	\$ 1,220	1,220
<b>Professional Fees</b>			
Allister Brown Group LLC	Document Review for Litigations	195	195
Curtis, Mallet-Provost, Colt & Mosle LLP	Litigation Counsel	156	156
Epiq Bankruptcy Solutions LLC	Claims Management and Noticing Agent	194	194
F1 Technical Solutions, INC	Document Review for Litigations	-	-
Jones Day	Litigation Counsel	783	783
Kirkland & Ellis LLP	Special Counsel - Tax and International Matters	148	148
Lexolution, LLC	Document Review for Litigations	236	236
McKool Smith PC	Special Counsel - RMBS Downstream Servicing	12	12
Milbank Tweed Hadley & McCloy, LLP	UCC Litigation Committee and Litigation Counsel	49	49
Quinn Emanuel Urquhart Oliver & Hedges, LLP	Litigation Counsel	2,697	2,697
Recovco Mortgage Management LLC	RMBS - Private Label Litigation	1,214	1,214
Rollin Braswell Fisher LLC	Special Counsel - RMBS	-	-
Shin&Kim	Special Counsel - Derivatives	151	151
Skadden, Arps, Slate, Meagher & Flom LLP	Special Counsel - Tax, Litigation, Other, and BOD counsel	-	-
Weil Gotshal & Manges	Lead Counsel - Debtors	1,300	1,300
Willkie Farr & Gallagher LLP	Special Counsel - RMBS	576	576
Wollmuth Maher & Deutsch LLP	Special Counsel - Derivatives and RMBS	-	-
US Trustee Quarterly Fees		136	136
Other Professionals	Various	1,865 (b)	1,865
Sub-total Professional Fees		9,711	9,711
<b>Total Professional Fees</b>		<b>\$ 10,931</b>	<b>10,931</b>

Note: The above list includes (i) vendors that have been paid over \$1 million on a trailing 12 month basis, and (ii) vendors that were paid over \$150 thousand for the month reported.

(a) The Company has incurred additional professional fee expenses that will be reflected in future Operating Reports.

(b) Other Professionals reflect disbursements, including expert witnesses fees, to approximately 100 vendors.